



California Energy Commission

# **STAFF DRAFT** **STATE ENERGY PROGRAM**

## **Clean Energy Business Financing Program Guidelines**



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# Clean Energy Business Financing Program Guidelines

## **1. Background**

The California Energy Commission (Energy Commission) has developed these *Guidelines* to help implement and administer the Clean Energy Business Financing (CEBF) program. This program is a sub-program of the State Energy Program (SEP) funded under the American Recovery and Reinvestment Act (ARRA) of 2009. The SEP Guidelines contain general information and procedures that apply to the entire program. Consult the SEP Guidelines in addition to this CEBF Guideline. The SEP Guidelines can be downloaded at <http://www.energy.ca.gov/2009publications/CEC-150-2009-004/CEC-150-2009-004-CMF.PDF>.

The US Department of Energy (DOE) has allocated the Energy Commission \$226 million in ARRA funding for the SEP. The Energy Commission will use these funds for energy efficiency, energy conservation, renewable energy, and other energy-related projects and activities. ARRA was enacted by Congress to preserve and create jobs and promote economic recovery, to assist those most impacted by the recession, to provide investments needed to increase economic efficiency by spurring technological advances, and to make investments that will have long-term economic benefits. ARRA gives preference to projects that promote and enhance these objectives in an expeditious manner.

California is a world leader in efforts to reduce greenhouse gas (GHG) emissions, increase renewable energy production, promote energy efficiency and energy conservation, improve clean air and emissions controls, expand the use of low carbon and alternative fuels, and promote and commercialize new environmental technologies and industries.

Governor Schwarzenegger signed Executive Order S-14-08 (EO) to streamline California's renewable energy project approval process and increase the state's Renewables Portfolio Standard (RPS) to 33 percent by 2020. The Governor also signed EO S-21-09 directing the California Air Resources Board (CARB) to adopt regulations increasing California's RPS. These collective actions provide clear, permanent direction for creation, delivery and servicing of California's renewable energy projects. The CEBF Program will provide an opportunity to help California position itself with respect to the manufacture and/or assembly of clean energy technologies needed to implement these state priorities.

The Energy Commission adopted the *Renewables Portfolio Standard Eligibility Guidebook (RPS Eligibility Guidebook)* in December 2007 that describes the eligibility requirements and process for certifying renewable resources as eligible for California's renewables portfolio standard.

Governor Schwarzenegger issued EO S-06-06 that directs state agencies to work together to advance biomass programs in California while providing environmental protection and mitigation. The Bioenergy Interagency Working Group in July 2006 issued Bioenergy Action Plan for California (CEC-600-2006-010) to maximize the contributions of bioenergy toward achieving the State's petroleum reduction, climate change, renewable energy, and environmental goals. The Bioenergy Action Plan also provides the specific actions and timelines that the agencies have agreed to take to implement the EO.

## **2. Program Summary**

The Energy Commission will provide up to \$35 million in low-interest loans to eligible Applicants to enter into the manufacture in California of eligible energy efficiency or renewable energy products, components, systems, and technologies, to improve or expand an existing California clean energy manufacturing activity, or to modify a manufacturing facility or activity in California to enable and/or expand utilization of California suppliers.

The Energy Commission will also provide low-interest loans to eligible Applicants for projects that generate either new production or expanded production of biomethane gas from biomass materials.

All projects that use CEBF Program funds must be made within the Applicants' existing constructed factory footprint. In addition to the number of jobs created and retained, the Applicant will also be required to demonstrate a potential effect of their proposal within the State.

## **3. Funding**

The Energy Commission will only select projects that it determines best meet the eligibility criteria and provide the best opportunities to effectively leverage funds while positioning California as clean energy manufacturing leader. The Energy Commission will specify in a forthcoming solicitation document the criteria it will use to evaluate proposals.

The Energy Commission will provide low-interest loans and establish a revolving loan fund (RLF) that will sustain CEBF Program funds once all ARRA funding has been exhausted. The loans are expected to be issued at below the prime interest rate for the life of the loan to be determined at the time the solicitation is issued. The solicitation may also describe loan terms that may be from 5 to 7 years. The solicitation will specify loan award terms that will apply to the CEBF Program including collateral requirements.

Since multiple awards are anticipated, the exact amount of funds provided will depend upon the number of eligible Applicants, the amount of the request, and the merit of the Application.

The Energy Commission intends to provide low-interest loans to eligible California businesses in order to attract and retain business within the state of California. If, during the term of the financial assistance agreement, a business that receives CEBF Program funds based on business it represented would occur within the state of California, relocates any portion of that business to a location outside the state of California, the Energy Commission may take all appropriate action, including but not limited to rescinding the financial assistance award and requiring the Applicant to repay any CEBF Program funds received by the Applicant. The Energy Commission will specify in a forthcoming solicitation document more specific requirements regarding this issue.

#### **4. Leverage Funding**

The Energy Commission seeks Applicants that have other funding sources in addition to the CEBF Program, in order to increase the Applicant's likelihood of commercial success. Any funding commitment made by the Energy Commission based in whole or in part on the existence of such additional funding sources that is made before the Applicant's receipt of a firm commitment from such other funding sources may be made contingent on the Applicant's timely attainment and written confirmation of such firm commitment(s) prior to final contract execution.

#### **5. Period of Performance**

All projects must be completed and funds fully expended by **March 31, 2012**.

An Applicant may not begin work on any portion of a project awarded funding under these *Guidelines* before the Energy Commission's approval and execution of the Applicant's award agreement, unless the Applicant undertakes such work at its sole expense and risk. Project expenses incurred before the approval and execution of a funding award agreement are not eligible for reimbursement under the CEBF Program funding award agreement.

#### **6. Eligibility**

##### **a) Eligible Applicants**

Eligible Applicants must be private sector California businesses that manufacture and/or assemble commercially available energy efficiency or renewable energy components, systems, or technologies.

The Applicant must demonstrate how the proposed project and manufactured product(s) will aid California in achieving established energy savings and renewable energy goals within the State. The Applicant must also describe, quantify, and substantiate the number of California jobs that will be created or preserved by the proposed project.

Applicants may not have any unresolved environmental violations, past due unresolved Federal financial obligations, past due unresolved obligations to the State of California, and must be current in all payment of all federal, state, and local taxes both at the time of Application submittal and through the entire term of any CEBF Program funding by Applicant.

b) Eligible Projects

All projects must comply with the following:

- All projects must be physically located in California.
- The project must result in the creation of California jobs.
- No project proposal may exceed the amount available under the solicitation to be issued.
- Demonstration of the effects of the project within the State.
- All projects must be in compliance with all applicable laws.

Projects shall not use funds for the following purposes/areas:

- Construction projects, such as construction of mass transit systems and exclusive bus lanes, or for the construction or repair of buildings or structures.
- To purchase land, a building or structure or any interest therein.
- To subsidize fares for public transportation.
- For any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.
- To subsidize utility rate demonstrations or State tax credits for energy efficiency or renewable energy measures.
- To conduct or purchase equipment to conduct research, development or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.
- Prototype or research, development and demonstration (RD&D) stage projects.
- Any other purpose not approved by the Energy Commission

A completed National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. Section 4321 et seq) EF1 Checklist form must be submitted with the Application (see

Attachment 1 for NEPA Checklist requirements). For additional information regarding the NEPA process go to:

Department of Energy NEPA Web Site: <https://www.eere-pmc.energy.gov/NEPA.asp>

Applicants must also be compliant with applicable federal and/or state prevailing wage laws. Applicant should know that there are consequences associated with not paying prevailing wage(s) that could result in significant penalties. Applicant should seek appropriate counsel for guidance.

## **7. Application Process**

- a) The Application Process is a two part process that will require Applicants to submit a Request for Application and an Application in order to be eligible for funding.
  - The solicitation document will require all Applicants to submit a certified Request for Application to apply for CEBF Program funding prior to the submission of an Application. The Request for Application will be used to determine interest in the CEBF Program, the need to allocate or reallocate funds, and to gauge staff/resource needs for the CEBF Program administration.
  - Each Request for Application must include the executive summary of the Applicant's business plan, financial plan or similar summary of product, and/or sales milestones. The business plan must document how the CEBF Program funded components, systems, and technologies and job creation will assist in achieving established State and ARRA goals.

- b) **Solicitation Document**

The Energy Commission will issue a solicitation document to initiate the application process. Eligible applicants who want to receive funding for projects according to these *Guidelines* must apply to the Energy Commission as specified in the solicitation document. The solicitation document will identify the following:

- Eligibility requirements.
- Maximum amount of funds available under the solicitation, including any maximum or minimum amounts for individual funding awards.
- Schedule or timetable for solicitation implementation.
- Administrative requirements for submitting applications, including forms and instructions.
- Criteria used to screen and evaluate applications.
- A sample funding award agreement that the recipient will be expected to execute. The agreement will identify applicable terms and conditions.

Unless otherwise specified in a solicitation document, the Energy Commission or the ARRA Ad Hoc Committee may cancel a solicitation at any time before the final date applications are due under the solicitation.

CEBF Program applications will be competitively awarded until all available funds have been awarded.

## **8. Evaluation Criteria**

Specific evaluation criteria used to screen and evaluate funding applications will be set forth in the solicitation document. It is anticipated that the general criteria areas to be used for evaluating proposals in response to the solicitation will include, but may not be limited to, the following:

**General**—The ability to reasonably quantify and substantiate all of the above representations and projections and to demonstrate that they are reasonably reliable and not mere unsubstantiated speculation or conjecture. A proven past record of success with similar projects or products is not necessary but would be helpful in establishing such substantiation and reliability.

**Job and Economic Impact in California** – The demonstration of how the proposed project or product(s) will contribute to tangible economic benefits to California.

**Technical Merit** – The demonstrated degree of technological, business or market innovation of the proposed project or product, the demonstrated commitment to manufacturing clean energy components, systems or technologies within the state of California, and the demonstrated ability to manufacture commercial products on a commercial scale.

**Investment Criteria** – The demonstrated merit of a successful business model for the proposed project or product, the demonstrated quality of the business/financial plan, the demonstrated ability to secure other project funds, results of underwriting analysis, and a demonstrated plan for achieving profitability, liquidity and potential for the repayment of any proposed CEBF Program funding.

**Management and Team Qualifications** – The qualifications of the management and production teams to successfully complete the proposed project or manufacture the proposed product (s) within the proposed project timeline and budget.

**Market Potential** – The projected market share, projected sales and growth, and ability to achieve competitive advantage of manufacturer's proposed project or product(s), along with a reasonable substantiation of the projections.



## **9. Program Administration**

To the extent allowed by applicable law, the Energy Commission may enter into an agreement with one or more third parties to administer the loan program, to undertake program administration, to evaluate Applications by and/or to assess technical eligibility, project compliance, and ARRA reporting and monitoring.

Final project funding is subject to the State of California and Energy Commission approval of an SEP budget and is further subject to State appropriations law.

## **10. Confidentiality**

Unless the program solicitation permits submission of confidential information, applications that contain confidential material will be disregarded and returned to the applicant. All applications submitted to the Energy Commission will be publicly available once the project selections are made, with the exception of confidential materials that may be permitted under a solicitation.

## **11. Question and Answer Procedures**

Questions may be submitted by e-mail to [CEBFP@energy.state.ca.us](mailto:CEBFP@energy.state.ca.us). Questions and answers will be posted on the Energy Commission website on an as needed basis (<http://www.energy.ca.gov/recovery/index.html>).